Welcome
To the Australian ICT Bulletin

This monthly publication contains useful business intelligence on the Australian Information and Communications Technology market.

In this issue, you'll find information on:

- Healthcare Market
- Media Shakeup
- Telco Wrap
- And much, much more!

For further information on the articles in this publication or on any aspect of the Australian ICT market, please contact:

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The Australian Medical Market Feature

Last month we detailed the push by the Federal and State governments towards implementing electronic healthcare records systems. This is part of a bigger plan to have full coordination between the General Practitioners, hospitals, pharmacies, and the government healthcare administrators. In order for US developers of e-health systems to enter the local market it is important to understand the local healthcare market and its structure. I asked my colleague Monique Roos, our healthcare specialist, to provide a brief synopsis.

Medical equipment is one of Australia's largest markets for exporters of U.S. products. More than 85 percent of devices and diagnostics used in Australia are imported. Approximately 60 percent of these products come from the U.S. Other major market suppliers include Japan and the EU. Australia is a mature market for medical equipment. The market is valued at approximately US$2 billion, representing about one percent of the global market. Australia's high per capita income and high standard of medical practice means that there is demand for the full range of sophisticated medical equipment. This, together with the expectation of state-of-the-art medical treatment by an educated population, ensures a continuing need for high quality and innovative medical equipment and products.

- Australia has a government-funded healthcare scheme with the Government being the primary purchaser of medical equipment. Public hospitals account for approximately 70% of sales of medical equipment, while 30% of sales are made to the private sector. As the costs of maintaining a public healthcare system are increasing, public hospital administrators and medical staff are directed to choose the best product available at the lowest possible cost.

- The Therapeutic Goods Administration (TGA) regulates the medical equipment market in Australia. Australia's regulatory framework is harmonized with international accepted best practice, and is based on the guidelines of the Global Harmonization Task Force (GHTF) and the European Community (EC) requirements.

- Medical devices are classified according to the degree of risk associated with their application. As only an Australian sponsor can obtain approval for sale in Australia, U.S. exporters need to appoint an Australian representative before their products can be approved by the TGA.

- U.S. medical equipment is traditionally well received in Australia due to its perceived high quality. Opportunities exist for state-of-the-art and innovative medical equipment and products that can result in a significant improvement in clinical outcomes. In particular, products that serve Australia's ageing population are likely to experience growth and high demand.

- Under the Free Trade Agreement between the U.S. and Australia (AUSFTA), medical equipment will continue to receive duty-free treatment. In addition, U.S. firms will be allowed to compete for government purchases on a nondiscriminatory basis.

Courtesy of Monique Roos—Commercial Specialist, Healthcare, Sydney. Monique.Roos@mail.doc.gov.

IBA Health Increases Indian Presence

Local provider of IT services to the healthcare market IBA Health has plans to switch R&D and technology roles to Bangalore. The company purchased Bangalore-based Medicor in December 2005 and has reportedly already started relocating personnel. The acquisition has been viewed in terms of giving IBA a better chance of competing in the healthcare markets in India and China.
IBA is a developer of e-health solutions including web-based Patient Administration Systems, Clinical management solutions, as well as applications for the management of pharmacy and aged care activities.

IBA's 2005 revenue was reported to be approximately US$17 million. Recent contracts include a four-year deal with Ramsay Healthcare

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and a five-year arrangement with the Independent Practitioners Network of 60 doctors. Overseas contracts include a deal with a New Zealand private group, Southern Cross, and for Siriaj Hospital in Thailand. The Medicom acquisition added about 200 additional sites in Asia, the Middle East, and South Africa. In total, IBA Health has a customer base of some 420 hospitals and clinics.

For more information please visit:
www.iba.com.au

Australian Media Reform

The Australian media industry is facing significant changes as the government begins its first deregulation and restructuring efforts since 1987. The Communications Minister issued a discussion paper with recommendations that could change the way media is currently owned and operated. These changes will create significant opportunities for foreign investment, sales of newer entertainment systems, and technological developments.

The proposed changes come on the heels of a government-commissioned report which found Australia's digital media industry to be lagging far behind global competition. Traditional media and telecommunications regulations were found to be stifling innovation and inhibiting investment in new capabilities. The Communication Minister has proposed the following changes to current media law:

1. Foreign Ownership
Previous media law restricted non-Australian companies from owning more than 15% of a television network or 25% of a newspaper publication. The new proposals would allow for full foreign ownership, though companies are restricted to a maximum of one newspaper, two radio stations, and one television station within a single market. Foreign investments will still be subject to scrutiny by the Treasurer before acquisitions are approved.

Quick Facts:
Australia has an A$12 billion media industry.

2. Cross-Media Ownership
Allowing horizontal integration is creating much excitement and speculation, and analysts predict this change will result in major mergers and consolidations. By relaxing the strict separation of broadcast operations and newspaper ownership, the discussion paper allows industry giants to take advantage of economies of scope and branch from television and radio into print publications, and vice versa. The mere suggestion of removing cross-media ownership restrictions has already influenced the stock market, with company shares increasing both for predicted takeover targets and industry giants.

To fend off accusations of encouraging mass consolidations, the government has included a diversity test provision. Each market—metropolitan and regional—must have a minimum number of separate entities to preserve competition and diversity of opinion. This requirement is contributing to the merger buzz, for only a limited number of acquisitions can occur before the minimum limit is hit.

Sales of Digital Receivers
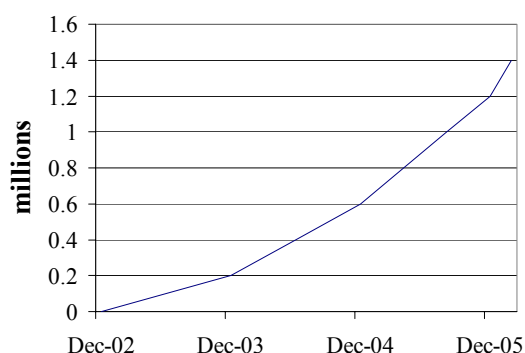
Source: *The Australian*

3. The Digital Shift
Recognizing Australia's hesitancy to adopt new telecommunications developments, the government is working to encourage new technologies. It plans a forced conversion from analog to digital television by 2010 or 2012, at which time all television stations will switch to providing only digital channels. Viewers will be required to purchase either a digital television or a digital set-top converter for their analog TV. There are also discussions of automatically providing set-top converters to households without one by the deadline, as well as

government-funded incentives to lower the cost of digital entertainment systems. These efforts are supported by the broadcasting industry, who recognize that a transition is unlikely to occur without government pressure.

A digital switchover would require upgrading an estimated 15 million analog TV sets.

Only 15% of Australian homes have a digital set-top box or digital TVs.

4. Investment in New Technology

Currently Australia has two unused digital channels, which the government plans to devote to datacasting. This would allow handheld devices such as mobile phones to receive television programming, as well as other interactive entertainment services. Dubbed niche TV, this snack content would include news headlines, sports highlights, music videos, and other entertainment sound bytes which the subscriber can access at will. About 1000 viewers are already watching TV channels on cell phones in a Sydney trial run.

5. Expansion of the Market

The discussion paper also includes a variety of provisions aimed at opening up previously closed fields. The government is debating allowing the right to move sports, news, and drama programming from the free-to-air networks to pay TV. Far more contentious is the option for free-to-air networks to engage in multichannelling. Multichannelling—where a station offers additional branded programming on a second station—allows free-to-air networks to provide greater viewing options, thus reducing the incentive for individuals to subscribe to pay TV services.

The government has also suggested opening up the right to broadcast cultural and sporting events and changing anti-siphoning rules. Currently specific events and games must be shown on free-to-air stations to ensure viewers can watch without paying, and while these interests want that list expanded, pay TV is calling for a reduction. Finally, the threat of creating a fourth free-to-air network has been introduced, though few believe the market is capable of absorbing the increased competition or that the government is serious.

Industry Highlights

The most highly valued companies in the media industry are Publishing & Broadcasting Limited—which owns free-to-air Nine TV network as well as the magazine publisher Australian Consolidated Press—and News Corporation, which controls more than 70% of the Australian metropolitan newspaper market and 25% of pay TV Foxtel stock. They are widely expected to be involved in the post-legislation mergers, while Fairfax—which controls multiple newspapers—and Southern Cross Broadcasting—owner of free-to-air Ten network—are expected to face takeover bids.

The third free-to-air station, Seven Network has fallen almost 12% since January from A$2.7 billion to A$2.4 billion.

The new proposals would:

- Allow foreign ownership of media companies;
- Allow single ownership of both print and broadcast operations;
- Oversee a mandatory shift from analog to digital television;
- Encourage datacasting and introduce new technologies and;
- Change programming rules for free-to-air and pay TV networks.

Local Media Giant Buys NZ Auction Site

Local media company Fairfax Holdings recently paid about US$500 million to acquire New Zealand based auction site Trade Me. www.trademe.co.nz

Apart from providing online auction services Trade Me also has an online dating service.

Online auction and trade sites such as ebay and tradingpost.com.au have eaten heavily into Fairfax's traditional ink-based classified services. This acquisition shows the market how seriously Fairfax views its Internet-based competition. However, why the media purchased a New Zealand-based company is still a mystery given the population is only 3.5 million, and the brand stands very little chance of breaking into the Australian market.

Fairfax Digital's stable of internet classifieds includes mycarreer.com.au, drive.com.au, domain.com.au, and rsvp.com.au

Local Supermarket Chain Invests in ATMs

Local supermarket giant, Woolworths is set to roll out its own branded Automatic Teller Machines (ATMs) in supermarkets and liquor stores. The machines will be co-branded with local banking group ANZ. The deal will see 700 ATMs installed in Woolworths' range of brands; Woolworths and Safeways supermarkets, Big W (supermarket and clothes outlet), Dick Smith, and PowerHouse stores (retail electronics), and Plus Petrol fuel stations.

Commander Acquires Integrator Volante

Local telecommunications service company Commander has acquired the Volante Group.

Commander is a provider of data, Internet, voice and mobile solutions to Australian Small to Medium Sized Companies (SMEs). Commander has approximately 1,200 employees and has an annual turnover of about US$450,000.

The Volante acquisition is seen as a good fit for Commander, giving the company more breadth in the IT service space. Volante is more of an IT service shop and has approximately 800 employees. In the middle of last year Volante acquired one of the country's largest assemblers of PCs, the Ipex Group and with it contracts to supply desktops and services (desktop management and licensing) to a large number of state and federal departments. This strategy of telecommunications carriers buying IT service shops is reminiscent of the recent acquisitions of Telstra (KAZ Group), and Optus (Alpha West).

Closing CDMA Network Will Cost Telstra Bigtime

Analysts have predicted that shutting off its CDMA network will cost Telstra in the vicinity of US$600 million. This is the cost of transferring Telstra's CDMA customers to its 3G network. Telstra has about 1.6 million CDMA customers, and is signing 250,000 new customers each six months to the network. It is predicted at its peak

there will be over 2 million users who will need to be transferred to the 3G network over the next two years. Telstra's mobile business is reported to be worth approximately US$3 billion.

Mobile Content Demand Rising

The mobile market will grow at around 17.1 percent from 2005 to 2010 according to analysts. Subscriber numbers since 2000 have been growing at 120 percent. By 2008, it is predicted that mobile penetration will reach 100 percent.

Growing in its wake is the amount users are spending on data services. In June 2004, the average revenue per user for data services was AU$6.45/month. In 2006, users are spending AU$8.14/month. By 2010 it is predicted that users will spend AU$17/month, a rise attributed in part to the introduction of 2.5 and 3G services. The challenge for the mobile carriers once 100 percent penetration is reached (and it is as good as there now!), is how to increase revenues on data services. Content will be king and especially that which translates well to a small screen.

Satellite Services Growing in Remote Australia

According to analyst group IDC, the number of satellite customers will grow by 60 percent over the next four years from 6,500 in 2005 to 17,000 by 2010. Expenditure on these systems is predicted to grow from US$10 million to US$15 million. The increase in uptake in rural has been partly attributed to the boom in the resources sector, the decreased cost of bandwidth, and the ability of service providers to offer VoIP solutions on satellite data channels. Some of the leading providers of satellite services to rural Australia include Optus, PanAmSat, AsiaSat, and IPStar.

Federal Government Procurement Highlights

Under the Australian/ American Free Trade Agreement (FTA) federal agencies are now required to issue a 12-month procurement plan. Some 118 agencies have now issued plans of their procurement needs for the next year.

According to analyst group Intermedium, 500 ICT requests have been issued for the next year. IT services account for almost half (211) of all requests. Software falls in next with 101 planned procurements.

Fed. Govt. Planned ICT Procurements 05/06	Q1	Q2	Q3	Q4
Hardware	44	32	19	19
IT Services	124	44	30	13
Large Office Machines	9	3	6	1
Software	52	19	19	11
Telecommunications	35	17	19	10

Source: Intermedium

Snapshot of Broadband Deployment 2005

The Australian Competition and Consumer Commission (ACCC) – www.accc.gov.au, has released its most up-to-date findings on the rate of broadband uptake. Highlights include:

- As of September, 2005 there were 2,593,600 subscribers to broadband services.
- In the span of one year from 2004 to 2005, broadband uptake had increased by 98%.
- There are 1,895,000 subscribers to ADSL services.
- Satellite services are growing rapidly.

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US Pavilion at CeBIT, Sydney, May 9-11 2006

The US Commercial Service in Sydney is organizing a booth at this year's CeBIT Australia trade show. We are inviting US vendors of ICT solutions to come down to the market and exhibit at the show in our USA Pavilion.
Service that we are offering include:

- Exhibit in the Pavilion
- Organize appointments for potential Australian partners to meet you at the show.
- Assistance for your Australian distributor to exhibit at the show.
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Upcoming Trade Shows

HIC 2006 – Health Informatics Conference
Covering both exhibition and tutorials, HIC 2002 will concentrate on delivering information on products and trends in the e-Health market
Date:August 20-22 2006
Location: Sydney Exhibition Centre
Organizers: HISA
Frequency: Annual
Tel: 61 3 9388 0555

Fax: 61 3 9388 2086
Email: hisa@hisa.org.au
Web site: www.hic.org.au

AusCert Asia Pacific Information Technology Security Conference, 2006
An international conference focussing on IT security for CFOs, CIOs, CTOs and technical staff from government agencies, universities and industry. Featuring local and international IT security experts.
Date: May 21-26, 2006
Location: Royal Pines Resort, Gold Coast
Organizers: AusCert
Frequency: Annual
Tel: 61 7 3365 4417
http://conference/auscert.org.au
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